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Stimulating Job Demand: The Design of Effective Hiring Subsidies in Europe

THE NETHERLANDS

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1. Introduction: hiring subsidies as an active policy to stimulating job demand

Over past decades, the Netherlands has experimented repeatedly with hiring subsidies as well as tax rebates for vulnerable groups. The measures aimed mainly at better job inclusion or facilitating training and schooling of vulnerable groups while in a regular job. Many measures have been cancelled between 2000 and 2013, yet new ones have been implemented. For the near future, new forms of hiring subsidies have been announced.

There have been a number of different hiring subsidies, as listed below.

- i. Inflow and flowing-through jobs (*In-en-Doorstroombanen* - ID-jobs, or formerly known as *Melkertbanen* or Melkert jobs): these subsidised jobs aimed at increasing the number of jobs for people receiving social assistance benefits. This scheme operated between 1999 and 1 January 2004.
- ii. Act on Inclusion of jobseekers (*Werk inschakeling Werkzoekenden* – WIW-Jobs): offered work experience placements (internships) for long-term unemployed. This scheme began in January 1998 and ended 1 January 2004.
- iii. Act on Participation places and Act on stimulating labour participation (*Wet Participatieplaatsen en de Wet stimulering arbeidsparticipatie* - STAP): these Acts came into force on 1 January 2009, and give municipalities and the Public Employment Service (PES, which in the Netherlands is *UWV: Uitvoeringsinstituut Werknemersverzekeringen*) the opportunity to create participation places for benefit recipients who have little chance to find employment, for instance due to personal constraints (see Section 2).
- iv. Arrangement of cleaning services for individuals (*Regeling schoonmaakdiensten particulieren* - RSP) ran between 1 January 1998 and January 2008 (after amendments in 2005). This arrangement facilitated employers in the cleaning sector in hiring unemployed on financially attractive terms. The aim was to create incentives for employers to hire long-term unemployed. However, after a negative evaluation it was abolished. It neither created enough jobs for long-term unemployed, nor managed to reduce the shadow economy sufficiently. The Act has been adjusted a few times and new ways to improve the efficiency of the subsidy further was found to be too costly (Ministry of Social Affairs and Employment, 2005). Another aim of the Act, facilitating formal cleaning support in order to combine work and care, is still met by a provision that enables households to hire cleaning services without having to pay social security premiums for these services (Volkskrant, 2007).
- v. Act on Sheltered work places of 1997 (*Wet Sociale Werkvoorziening* - WSW) aims at creating employment in a sheltered work place for people with a work disability. After 2015, this Act is likely to become part of the new Participation Act (see Section 2).
- vi. Act on Re-integration of people with a work disability (*Wet (Re)integratie Arbeidsgehandicapten* - Rea) of 1 July 1998 was abolished in December 2005. It hosted a range of (hiring) subsidies for employees, employers and self-employed to finance schooling, mediation, compensation for productivity loss, adjustments of workplaces, and guidance for employees who have a work disability. Many of these arrangements have been integrated in Acts that provide benefits for people who have a work disability, are ill or unemployed. For instance, a hiring subsidy within the Act on Work and employment support for people disabled from a young age (*Wet werk en arbeidsondersteuning jonggehandicapten* - *Wajong*) benefits employers who hire young disabled persons. Such a hiring subsidy might become part of the Participation Act.

There have been a number of Acts that provide tax rebates, especially to employers who hire certain groups. This is mostly arranged in the broad Act on Tax rebate on wages and social security premiums (*Wet vermindering afdracht loonbelasting en premie voor de volksverzekeringen* - WVA) of 15 December 1995. Two former arrangements include:

- Specific tax rebate on wage costs (*specifieke afdrachtskorting* - SPAK): in operation between 1996 and 2004, it encompasses a tax rebate on wage costs for employers who hire low-skilled workers.

- Reduction in the number of long-term unemployed (*Verminderende Langdurig Werklozen – VLW*): in operation from 1996, yet as from 2003 no new inflow was allowed in the scheme after which it was abolished gradually within three years. SPAK and VLW may be combined and both build on previous arrangements to reduce wage costs for employers who hire specific groups.
- Tax rebate for schooling (*praktijkleren*) (see Section 2).

Other tax rebate arrangements are listed here.

- A tax measure that exempts employers from paying premiums for workers aged under 23 who have a small job (Small jobs arrangement; *kleinebanenregeling*) - meaning that they earn approximately less than half of the minimum wage. This decreases the wage costs for employers. The measure was prolonged until 2011 following a positive evaluation. Especially in economic sectors with a large amount of small jobs for young people, such as hotels, restaurants and wholesale, the measure has led to the prevention of job losses. The measure was effective in 2010 and 2011, but was abolished in 2012 (Chung et al., 2012). This arrangement was combined with a **permanent** feature of the Dutch labour market that helps young people integrate into the labour market, as they are financially quite attractive for employers to hire. This is the youth minimum wage, which is set in national legislation. Young people receive lower minimum wages than people aged 23 and older. The **target group** of the minimum youth wage consists of all people between 15 and 23 years old. The wages are changed twice a year, in January and July and are subject to developments in collectively negotiated wages. Table 1 displays the minimum wages as of January 2014.

Table 1: Youth minimum wage January 2014 (gross wages)

| Age | Monthly minimum wage |
|--------------------|----------------------|
| 15 years old | € 445.70 |
| 16 years old | € 512.55 |
| 17 years old | € 586.80 |
| 18 years old | € 675.95 |
| 19 years old | € 779.95 |
| 20 years old | € 913.65 |
| 21 years old | € 1 077.05 |
| 22 years old | € 1 262.75 |
| 23 years and older | € 1 485.60 |

Source: Dutch government. See internet (<http://www.rijksoverheid.nl/onderwerpen/minimumloon/vraag-en-antwoord/hoe-hoog-is-het-minimumloon.html>)

- A hiring subsidy for employers who hire young people (aged 18 to 27) who receive UB or welfare/social assistance. The job needs to give employment for at least 32 hours a week and have a minimum duration of six months. The young person needs to become employed after 1 January 2014 and before 1 July 2016. The maximum duration of the rebate is two years (or for the duration of the employment contract if this lasts shorter than two years). The arrangement ends 31 December 2017. The rebate is EUR 3 500 per (full) year.
- Wage dispensation for employers who hire a person receiving *Wajong* benefit for disabilities from a young age. This wage dispensation is only given when the worker is less productive than other workers. After permission of the Dutch PES, it allows the employer to pay less than the minimum wage. PES then heightens the income of the worker up to 75 % of minimum wages.

The wage dispensation can last between six months and five years. The Act on *Wajong* is likely to be partly integrated into the new Participation Act after January 2015 (Borghouts – van de Pas, 2014 forthcoming). For those who enter newly into the Participation Act, an alternative hiring subsidy may be used when an employer provides a job (see Section 2).

There has been one arrangement to keep people with a temporary employment contract in employment for longer. This is the extension of the legal duration of temporary contracts for younger workers, meaning that rather than keeping the limit to three consecutive temporary contracts within a maximum of 36 months, employers were temporarily allowed to offer four consecutive fixed-term contracts for a maximum of 48 months (Bekker, 2010). This measure aimed at preventing employers from making younger workers with a temporary contract redundant, but after negative assessments the measure was abolished in 2012 (Chung et al, 2012).

There have also been incentives for hiring long-term unemployed older workers and people with a disability benefit. These are as follows.

- i. A temporary no-risk policy gives a wage compensation to employers in cases of long-term illness of their newly hired older workers or newly hired people who received a disability benefit (*Tijdelijke wet compensatieregeling loonkosten bij ziekte van oudere en voormalig langdurig werklozen*). This Act came into force in July 2009 and will end in 2019 (see Section 2).
- ii. A trial period for hiring people distant from the labour market is valid when people receive disability benefits, (long-term) UB, or who have a *Wajong* benefit. On certain conditions, employers may hire people on such benefits for a two months' trial period. The workers keep their benefit, while the employer uses the trial to genuinely explore whether the worker is suitable to fill a vacancy (UWV¹, 2011). Such a trial period may be prolonged to six months if certain conditions are met.
- iii. Subsidies are available to make workplace adjustments for employers in order to meet the requirements of a person with disabilities (e.g. suitable equipment for people who are visually impaired or who need a specific desk or other facilities). The employer may be eligible for the subsidy if the employment contract is at least for six months.
- iv. A 'portfolio of competences and certificates' applies to employers who have workers who have to search for a new job, for instance if the employer cannot prolong a temporary employment contract. The portfolio and certificate demonstrate the workers' competences and work experience. In some cases, the employer may get a subsidy to cover the costs to make such a portfolio, arranged by the PES.
- v. Act on Tax rebate older workers (*Wet premiekorting oudere werknemers*) came into force in January 2009 and aims at improving the labour participation of older workers. It gives a tax rebate to employers that hire older UB recipients (aged over 50) as well that keep workers aged 62 to 64 in employment. This latter arrangement for keeping older employees employed was abolished in January 2013 (see Section 2).

2. Hiring subsidies today: detailed description

A No-risk policy wage costs for hiring older unemployed workers

As of July 2009, the Act on Sickness Benefit (*Ziektewet*, article 29d) has been altered to give more incentive to employers to hire older workers. Currently, employers are obliged to keep paying the wages for two years for personnel on sick leave, after which these people may flow into a national disability benefit. This long-lasting obligation to pay for sick employees may be a large obstacle for employers to hire older workers, as they fear that older workers might become ill more quickly than younger workers, thus having to pay wages during sickness while not having a productive worker. To reduce this fear, the government implemented 'Temporary compensation in case of illness of older workers and formerly long-term unemployed' (*Tijdelijke wet compensatieregeling loonkosten bij ziekte*

¹ Internet: http://www.uwv.nl/werkgevers/ik_neem_een_werknemer_met_uitkering_in_dienst/proefplaatsing.aspx

van oudere en voormalig langdurig werklozen) (or 'no-risk policy'). This provides payment of wage costs for older workers (aged over 55) who have become ill for a long period of time (more than 13 consecutive weeks) within the first five years of their employment contract and who were unemployed for at least 52 weeks (meaning having been in UB) prior to signing their employment contract. The state pays Sickness benefits, arranged by the Dutch PES (*UWV*). The Act is **temporary** and ends in July 2019 (as the government expects that by that time there will be a labour shortage in the Dutch labour market, making the arrangement unnecessary). People who receive a disability benefit (*WIA*) automatically have a 'no-risk policy' if they are employed, meaning that these people receive sickness benefits if they become ill within the first five years of employment.

Concerning the **amount and duration** of benefits, the compensation is paid when long-term illness occurs within the first five years after the conclusion of an employment contract. In special cases this time period may be extended with another five years. The PES starts paying the wage costs, via sickness benefits, if an older worker has been ill for more than 13 consecutive weeks, meaning that the employer covers the first period of illness. The maximum duration of payment by PES is two years and the amount of sickness benefits is between 70 % and 100 % of the daily wages in the first year of illness and 70 % of the daily wages in the second year. In current law, employees with a *Wajong* benefit or an indication for a sheltered workplace provisions, have a 'no-risk period' that equals the period of employment (which may thus be open-ended). The arrangement will be **financed** by the central government and be part of the budget for the Act on Sickness Benefits (*Ziektewet*). The government estimates that annually around 8 000 older workers will make use of the arrangement, and that the extra costs will amount to a total of EUR 15 million between 2009 and 2019 (Memorie van Toelichting, 2009). There will be an **evaluation** every two years that also encompasses the labour market position of older workers. Moreover, the Dutch PES will provide information on the use of the arrangement (Memorie van Antwoord, 2009²). The first evaluation shows a minor, insignificant, effect of the arrangement in terms of changing employer behavior on hiring older workers. It thus does not change their preference for age categories (SEO, 2012). There are several explanations for this. First, having to pay wages for two years is not the only nuisance for employers when an employee gets ill. Employers also have to seek replacements or shift extra work to other workers. These risks are not covered by the government's arrangement. The interviews that were part of the evaluation showed that most employers (except for the employers in the health care sector) did not have the impression that older workers are ill more often or for a longer time period than other workers. This was supported by quantitative survey results on perceptions of employers. In addition, employers are often insured against long-term illness of their staff and therefore long-term illness is not always a direct cost for employers (SEO, 2012).

B Subsidy for training and education on the job for newly hired vulnerable groups (*Praktijkleren*)

Employers who hired long-term unemployed (unemployed for more than one year) and wanted to arrange schooling or training for this person could opt for a tax rebate on wages. The national tax administration was the agency providing the tax rebate. The rebate was offered to employers who hired an unemployed person and arranged for this person to get a diploma at the level of a starter qualification (completed education at ISCED level 3).

The arrangement ceased to exist on 1 January 2014 and was replaced by a subsidy 'on-the-job-learning' (*praktijkleren*), where people learn while they are working in an organisation. The choice to convert the tax rebate into a subsidy was made after an evaluation showing that the rebate failed to meet its goals. This failure was partly caused by illegitimate use of the tax rebate. For instance, the tax agency did not have the means to check the quality of the training places (at times also internships). It appeared that private companies 'sold' the use of the arrangement and made profit from it, also making the arrangement much more expensive for the government than perceived. The government finds that a subsidy is more suitable to check for the quality of trajectories offered. Consequently, it

² Internet: <https://zoek.officielebekendmakingen.nl/behandelddossier/31869/kst-20082009-31869-B?resultIndex=3&sorttype=1&sortorder=4>

may limit spending while keeping the option open to financially support employers who offer learning/working trajectories.

The subsidy addresses fewer **target groups** than the previous tax rebate. The target groups include: pupils at intermediate professional education level (MBO-level – ISCED 3) who combine working and learning (*beroepsbegeleidende Leerweg* - BBL); students at higher professional education level (HBO – ISCED 5) who have chosen a technology-related study (including agriculture) and combine working and learning (the work-related component should be part of the curriculum, which can also be an internship); and employees with a temporary employment contract at a university or knowledge institute who are specialising in academic research or technological design.

The subsidy thus focuses on vulnerable groups such as youth in unemployment, economic sectors in which there is an upcoming labour shortage, and academic staff for developing the knowledge economy. The focus is no longer on pupils at intermediate professional level who do not combine working and learning, pupils at lower professional education level who have an internship (VMBO - ISCED level 2), formerly unemployed who do not have a starter qualification (completed education at ISCED level 3), people who want to obtain a certificate for earlier developed competences, and students who do not follow a technology-related study (e.g. economy, health care). It is a **permanent** incentive and the maximum **amount** of benefits is EUR 2 700 per newly created place for combining learning and working. The maximum **amount** of state budget is calculated per education level. For lower trajectories for pupils at professional education (VMBO) the budget is EUR 1.4 million; for intermediate professional education (MBO), EUR 188.9 million; for higher professional education (HBO), EUR 8 million; and for PhD-students, EUR 6.7 million (Rijksoverheid, 2014).

An **evaluation** is scheduled for 2018, especially in order to judge whether the subsidy contributes to more learning/working trajectories and whether it is used properly (see regulation of nr. WJZ/560472 (10352)³ of 31 October 2013).

There is some **interaction with other policy measures**. The subsidy for on-the-job-learning may be complementary to the sector level job plans and the Technology Pact. Within the context of sector level job plans, the government co-finances plans developed by the social partners. These plans may entail education trajectories or internships for young people within companies in order for them to gain work experience. Also, the Technology Pact includes the agreements on creating internships.

C Participation Act including hiring subsidy

The Participation Act (*Participatiewet*) has recently been approved in the second chamber of Parliament. The proposed act will now be sent to the first chamber of Parliament and after approval it is likely to be implemented as of 1 January 2015. The Participation Act merges three existing Acts: the Work and Welfare Act (social assistance: *Wet Werk en Bijstand*), the Act on Sheltered Workplaces (*Wet Sociale Werkvoorziening*) and the Act on Work and employment support for young disabled persons (*Wajong*). These Acts are at the same time decentralised to municipality level as much as possible.

The **target group** includes nearly all vulnerable groups that are distant from the labour market, including young disabled persons and people working in sheltered work places. For sheltered work places, the government is granting EUR 25 900 per person in 2014 and this will gradually decrease to EUR 22 700 in 2020. It is expected that there will remain 30 000 sheltered workplaces in the Netherlands in the long term. The Act is intended to be a **permanent** incentive.

The merger of the Acts also means that new entrants that are physically or mentally challenged will be checked in order to establish their ability to work (see Borghouts – van de Pas, 2014 forthcoming for changes in the *Wajong* arrangement). As of January 2015, the *Wajong* is likely to apply only to those who are permanently unemployed due to illness or disability. Young disabled people who are capable of working are entitled to assistance from the municipality in job search or getting a benefit, thus essentially flowing into social assistance. For people who receive assistance within the framework of

3 Internet: <https://zoek.officielebekendmakingen.nl/stcrt-2013-31130.html>

the Participation Act, and who need a certain degree of guidance at work and adjustments in the workplace, employers may be eligible to a range of facilities. The Dutch PES has the task to determine whether a person is able to earn a legal minimum wage and how much support a person needs. Thus, employers might be enabled to have wage costs lower than minimum wage for workers who have a low productivity level. The municipality will have the ability to provide hiring subsidies to employers. The amount of the subsidy depends on the value of the employee's salary and amounts to the difference between the legal minimum wage and the wage determined value. In the Social Accord of 2013, concluded by the Dutch social partners and the government, Dutch employers agreed to provide an additional 100 000 jobs for people with disabilities in the period up to 2026. The government will further provide for 25 000 additional jobs in the period up to 2024. If companies do not meet these requirements, legal obligations will be imposed. Companies will be required to employ a certain percentage of disabled employees.

The future hiring subsidies, which are part of the Participation Act, have been tested in a different form within the scope of a temporary Act on Wage Dispensation (*Pilot loondispensatie*, approved on 18 May 2010). This wage dispensation aimed to increase the labour market integration of people with disabilities by enabling employers to pay less than the minimum wage for employees who have a lower productivity due to a disability. These employees receive a benefit from their municipality to supplement their wages. The pilot ran in 32 municipalities and ended in 2012 (Panteia, 2013). The trial was part of a set of four which dealt with different aspects of labour market integration of vulnerable groups. The wage dispensation project showed that employers not only want to be compensated for the low productivity of their newly hired workers, but also want that other parties take care of guiding these workers at work, making work place adjustments, and to limit risks. They want to have a low administrative burden as well. The conclusion is that wage dispensation in its trial format is a valuable, yet complex instrument. It has therefore been incorporated in the proposals for the Participation Act, yet are now called wage cost subsidy (*Loonkostensubsidie*).

D Act on Participation places and Act on Stimulating labour participation

Since January 2009, municipalities and the PES can use participation places as a reintegration instrument. Participation places are regulated in the Act on Participation Places (*Wet participatieplaatsen*) and the Act on the Stimulation of Employment (*Wet Stimuleren arbeidsparticipatie*, STAP).

The **target group** of this reintegration instrument consists of benefit recipients who have little prospect of flowing into a regular job (Rijksoverheid, 2012). By taking on a participation place they are able to gain work experience while keeping their benefits. The Act arranges that working while keeping benefits is not seen as entering into a regular employer-employee relationship. The condition is then that the participation place should offer the worker valuable experience and learning opportunities that contribute to integration into regular work in the long run. After six months of working in a participatory place, benefit recipients without a qualification are offered education or training, as this further increases their employment opportunities. Moreover, the place offered should be an additional job within a company, thus preventing replacement effects. The worker is eligible to a premium which may be given twice a year, and is maximised at EUR 2 229 per year (in 2010)⁴. Yet, often the premium paid is much less (Panteia, 2012). After nine months, the municipalities evaluate whether or not the participation place contributed to reducing the distance from the labour market for the individual worker. If this is not the case, the placement ends after 12 months.

The maximum duration of a placement is in total four years: two years after which it may be prolonged twice by one year. An evaluation shows that municipalities are generally satisfied with this law (Panteia, 2012). Clients develop relevant skills in the workplace and some 15 % to 22 % have flown into a regular job between 2009 and 2011. Yet, municipalities indicate that the transition to regular work is difficult to realise; this is too big a step for many clients. Moreover, skill and competence gaps remain between the capabilities of the workers and the requirements of a regular job. Moreover, due to budget cuts imposed on municipalities, there are less funds available for 'softening' the step from a

4 See internet: <http://www.gemeenteloket.minszw.nl/binaries/content/assets/Re-integratie/2010-09/Wet-STAP.pdf>

sheltered work area to a regular job as it is often too costly to install no-risk instruments for employers or to give hiring subsidies (Panteia, 2012).

This Act is part of the Work and Welfare Act (WWB) and therefore there is **interaction with other policy measures** offered within the social assistance functions that municipalities have. The Act is set up as a **permanent** measure; however, it is unknown what will happen after the installment of the Participation Act as of January 2015.

3. Conclusion

Viewing the hiring subsidies in the Netherlands over the past decade, there seems to be a constant change in Acts: abolishing existing regulations and introducing new ones. The main measures focus on people at a considerable distance from the labour market, including long-term unemployed welfare recipients and people who have a work disability. There have also been some incentives for employers to hire older workers or young people; however, these schemes are smaller and more often of a temporary nature.

Schemes to stimulate job creation for vulnerable groups have been evaluated regularly. Usually evaluations show mixed results, and the conclusions much depend on the aim of the measure, the target group, and whether immediate results are expected or long-term changes are acceptable. In general, one could conclude that a broad aim, more than just inclusion into a regular job, delivers much more positive results. Especially for people who are at a considerable distance from the labour market, the chance of flowing into a regular job is small. Yet, being included in work might have other positive effects. Looking at past experience in the Netherlands, but also reviewing arrangements in other countries, De Koning (2012) concludes that if subsidised jobs are solely allocated to people who are unlikely to find a job in the private sector, the cost effectiveness is not necessarily negative. Among the advantages are people developing a social network as well as improving health due to inclusion in (sheltered) work (De Koning, 2010; Nyfer, 2005).

For other groups who are less distant from the labour market, such as welfare recipients, hiring subsidies might be a (slightly) more effective tool. Welters and Muysken (2004) conclude that the effectiveness of hiring subsidies for long-term unemployed depend on demand side characteristics. Employers want to reduce the amount of costs related to hiring and training new workers. Therefore, the authors conclude that hiring subsidies are especially useful for unemployed who are not yet very distant from the labour market. For other groups, effects are smaller. Past experiments with hiring subsidies reveal that there is little effect on the creation of extra jobs, and calculations show that in the Netherlands in the 1980s, 75 % to 80 % of the jobs would have been filled without hiring subsidies. This is also valid for the schemes in other OECD countries (Welters and Muysken, 2004). Nyfer (2005) also points to the importance of adding a demand side approach. They find that many programmes are focused on the supply side, while demand side approaches such as the SPAK and VLW have a stigmatising effect. Also, De Koning (2012) concludes that the SPAK arrangement has been widely used, yet the deadweight was considerable, reducing the net effectiveness of the measure (see also Van Polanen Petel et al., 1999). The deadweight was high because the arrangement applied to all low-skilled workers, even to those who already had a job before the arrangement was introduced. Yet, it could be the case that the arrangement gave employers the financial means to reorganise their production process, thus creating jobs for low-skilled who are less productive. Arrangements that are more specific are less likely to have this effect, as companies are then obliged to hire specific workers to fill the newly created jobs.

For those who are furthest from the labour market, hiring subsidies will have limited effect in terms of inclusion into a regular job. For instance, arrangements introduced to help people who work in a sheltered workplace have not been very successful in terms of regular job inclusion (De Koning, 2012). One of the largest obstacles is the ever-growing qualification demand for jobs, which some groups cannot meet. De Koning (2010) concludes that there will always be groups of people who are unable to flow into regular employment, and having this as a policy goal is therefore questionable. For some groups, social activation is the highest goal achievable; for instance, becoming socially active, becoming engaged as a volunteer or working in a sheltered workplace. Such line of reasoning is much less visible in recent debates related to 'work-first' type of approaches. Schemes are often designed

with the final purpose of getting a 'real' job. Moreover, the shrinking budgets for more expensive reintegration tools, such as hiring subsidies or training and schooling, not only limit the support for people, but also limit the willingness of employers to hire people who are distant from the labour market. Past evaluations of many hiring subsidies indeed show that many employers are willing to hire disadvantaged groups if they are not 'burdened' with red tape, job guidance or expensive hiring trajectories. In this respect it is interesting that the newly proposed Participation Act includes the agreement of the social partners to create job openings for vulnerable groups. If organisations will not meet this agreement, then the legislator will impose a quota on all companies, obliging them to have a certain percentage of vulnerable workers within their company.

Not only do reintegration tools at municipality level face a decline due to budget cuts, also subsidies for schooling and training have been reformed recently, narrowing the range of the target group population. For instance, formerly unemployed who do not have a starter qualification are not part of the scheme any longer and the regulation is focused more on professions and education trajectories that are in demand on the labour market. This is rather unfortunate, as helping people to obtain a starter qualification, also after they have left school, is an important instrument to make sure that these people have a good labour market outlook in the long run. It would also match the efforts the Netherlands has been undertaking over past years to reduce early school-leaving – and thus increase the number of people who have reasonably good prospects in terms of labour market inclusion and career.

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Annex 1: Glossary of terms

Hiring subsidies are measures aimed at facilitating the creation of new jobs for unemployed persons or promoting opportunities for improving employability through work experience, often through wage subsidies paid to employers or reductions in the level of social insurance contributions upon the hiring of one worker. Hiring subsidies are also understood as measures that aim at favouring the conversion of temporary contracts into open-ended ones.

Stock subsidy: general reductions in employers' social-security contributions. Typically, deadweight effects tend to be associated with such subsidies, since they cover all jobs, even those that would have been created without the subsidy.

Voucher schemes: use of vouchers attesting that part or all of the cost of training and/or employing the voucher holder is subsidised by the state or service voucher schemes where the cost of a service is subsidised helping to create jobs for those providing the services.

Creaming effect: occurs when only the best applicants are selected to participate in the incentive measure.

Deadweight effect of employment subsidies: Subsidising jobs for unemployed persons who would have found a job anyway, even without the subsidy.

Displacement effect of employment subsidies: where the subsidy causes job losses through distortion of competition. Job losses are caused in enterprises that do not receive subsidies.

Substitution effect of employment subsidies (direct and indirect): **Direct substitution** occurs when the subsidy causes an existing job to be replaced by a subsidised job, for example, an older worker being replaced by subsidised younger workers. Without the subsidy, the regular worker would continue to be employed. **Indirect substitution** occurs when an existing vacancy is filled with a subsidized worker that, without the subsidy, would have been filled by a different applicant. So, non-subsidised workers may be excluded or not-recruited for the benefit of cheaper, subsidized workers

Annex 2: Measure Description Tables

| Measure Title | Type of measure: hiring subsidy, conversion of temporary contracts, voucher scheme, etc. | Target Group | No. of beneficiaries | Amount of subsidy and duration of subsidy | Permanent or Temporary measure and dates of implementation | Conditionality imposed on firms | Funding source and total budget | Describe any measures complementing the initiative (e.g. training, job search assistance etc) | Please indicate if other stakeholders are involved either at the design stage, in the delivery of the measure or in its monitoring | Monitoring arrangements in place | Assessment of the measure: Please give as much detail as possible on the assessment of the measure. Please indicate whether the initiative causes either deadweight, replacement and/or substitution effects. Please be sure to indicate the source of information for the assessment (i.e. is it based on an existing evaluation or is it the experts' own assessment?). |
|--|--|---|--------------------------|--|--|--|--|---|--|----------------------------------|--|
| No-risk policy wage costs for hiring older unemployed workers | | Long-term unemployed older workers (age 55+) on UB | Estimated 8 000 per year | Maximum five years and 70 % to 100 % of daily wages | Temporary | None | Act Sickness benefit Maximum EUR 15 million up until 2019 | | | Yes, every two years | Does not create a significant incentive for employers to hire especially older workers (SEO, 2012). |
| Subsidy for training and education on the job for newly hired 'vulnerable' groups (<i>Praktijkleren</i>) | Subsidy for training and schooling | Pupils at intermediate professional education level who combine working and learning ; students at higher professional education level (HBO) who have | | EUR 2 700 per newly created place for combining learning and working | Permanent | Offering high quality work/learning trajectory | For lower trajectories for pupils at professional education (VMBO) the budget is EUR 1.4 million, for intermediate professional education (MBO) 188.9 million EUR, for higher profession | Sector level jobs plans and the Technology Pact | | Yes, first evaluation in 2018 | |

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|--|--|---|--|---|--|--|---|--|--|---|---|
| | | chosen a technology-related study and combine working and learning . | | | | | al education (HBO) 8 million EUR and for PhD-students 6.7 million EUR | | | | |
| Act on Participation including hiring subsidy | Part of concept Act is hiring subsidy | People who are distanced from the labour market: welfare recipients, young disabled . | | Still to be set, yet the Act is combined with budget cuts | Permanent | Offering job within company. Employers agreed to offer additional 100 000 jobs for people with disabilities in the period up to 2026. The government will further provide for 25 000 additional jobs in the period up to 2024. | Municipalities get budget for income and reintegration support from the state. | | In pilot there have been hiring subsidies in operation including municipalities, workers and employers | There have been pilots to see whether hiring subsidies work | Hiring subsidy is useful, yet complex. Especially employers would like to have easier to use instruments (Panteia, 2013). |
| Act on participation places and stimulating labour participation | Work with benefits – creating participation places | People who are distanced considerably from the labour market | | Maximum duration of working on benefits: four years. People may receive premium twice a year for their efforts. | Permanent, but could be fused into Participation Act in 2015 | Participation place should contribute to reducing the distance from the labour market for the individual. It should be an additional work place, not displacing other workers. | From regular municipality sources to provide income support under the Act Work and Welfare. | | | Yes | Clients develop relevant skills in the workplace and 15 % to 22 % have flowed into a regular job in the time period 2009-2011. Yet, municipalities do indicate that the transition to regular work is difficult to realize, this is a too big a step for many clients. Moreover, skill and competence gaps remain between the capabilities of the workers and the requirements of a regular job. Moreover, due to budget cuts imposed on municipalities, there are less funds available for ‘softening’ the step from a sheltered work area to a regular job as it is often too costly to install no-risk instruments for employer or to give hiring subsidies (Panteia, 2012). |